



Dave Yost • Auditor of State



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dayton Technology Design High School  
Montgomery County  
348 West First Street  
Dayton, Ohio 45402

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Dayton Technology Design High School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Dayton Technology Design High School, Montgomery County, Ohio, as of June 30, 2012, and the change in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

September 18, 2012

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The discussion and analysis of the Dayton Technology Design High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

- In fiscal year 2012, the School had a large decrease in fringe benefits due to School no longer paying pick up on a principal's retirement share of pension and a reduction in the number of employees electing family health insurance coverage.
- The School's only debt obligation will be paid off in fiscal year 2013.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of the School's net assets for fiscal year 2012 and fiscal year 2011:

<b>(Table 1)</b>			
<b>Net Assets</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets:</b>			
Current Assets	\$ 84,571	\$ 57,557	\$27,014
Capital Assets, Net	1,855,915	1,890,805	(34,890)
Total Assets	1,940,486	1,948,362	(7,876)
<b>Liabilities:</b>			
Current Liabilities	79,855	76,587	3,268
<b>Net Assets:</b>			
Invested in Capital Assets	1,855,915	1,890,805	(34,890)
Restricted	14,140	5,539	8,601
Unrestricted (Deficit)	(9,424)	(24,569)	15,145
Total Net Assets	\$1,860,631	\$1,871,775	(\$11,144)

Total assets decreased \$7,876, mainly due to a decrease in capital assets, net. The decrease in capital assets, net is due to current year depreciation on buildings and improvements and furniture and fixtures.

Current liabilities increased \$3,268, mainly due to an increase in compensated absences payable.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

Invested in capital assets decreased due to current year depreciation. Unrestricted net assets, the amount available to fund daily operations, increased due to decreases in insurance fringe benefits and pick up on pension payments.

Table 2 shows the changes in net assets for fiscal year 2012 and fiscal year 2011.

**(Table 2)  
Change in Net Assets**

	2012	2011	Change
<b>Operating Revenues:</b>			
State Foundation	\$1,017,832	\$1,012,401	\$ 5,431
Miscellaneous	10,009	14,895	(4,886)
Total Operating Revenues	1,027,841	1,027,296	545
<b>Non-Operating Revenues:</b>			
Federal and State Grants	468,645	489,452	(20,807)
Total Revenues	1,496,486	1,516,748	(20,262)
<b>Operating Expenses:</b>			
Salaries	665,859	643,789	22,070
Fringe Benefits	265,241	331,651	(66,410)
Purchased Services	501,371	498,229	3,142
Materials and Supplies	40,269	70,554	(30,285)
Depreciation	34,890	34,890	
Total Operating Expenses	1,507,630	1,579,113	(\$71,483)
Change in Net Assets	(11,144)	(62,365)	
Net Assets at Beginning of Year	1,871,775	1,934,140	
Net Assets at End of Year	\$1,860,631	\$1,871,775	

Total operating revenues increased slightly. Non-operating revenues decreased \$20,807 due mainly to a large decrease in federal and state grants.

Operating expenses decreased \$71,483 due to a large decrease in fringe benefits. Fringe benefits had a decrease in both the number of people electing family coverage, along with the School no longer picking up a principal's share of retirement.

**Capital Assets**

At the end of fiscal year 2012 the School had \$1,855,915 invested in capital assets, net of depreciation. This represented a decrease of \$34,890 from fiscal year 2011, which was due to the fiscal year 2012 depreciation expense. Table 3 shows total capital assets for fiscal years 2012 and 2011:

**(Table 3)  
Capital Assets at June 30,  
(Net of Depreciation)**

	2012	2011
Land	\$ 437,500	\$ 437,500
Buildings and Improvements	1,416,534	1,447,328
Furniture and Fixtures	1,881	5,977
Totals	\$1,855,915	\$1,890,805

For more information on capital assets, see Note 4 to the basic financial statements.



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Debt Administration**

At the end of fiscal year 2012, the School had \$25,000 in outstanding loans payable. Refer to Note 9 of the basic financial statements for additional information.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Doug Bixler, Treasurer at Dayton Technology Design High School, 348 West First Street, Dayton, Ohio 45402, or e-mail at [dt\\_treas@mdeca.org](mailto:dt_treas@mdeca.org).

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**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Assets:**

**Current Assets:**

Cash and Cash Equivalents	\$43,084
Intergovernmental Receivable	41,487
Total Current Assets	<u>84,571</u>

**Non-Current Assets:**

**Capital Assets:**

Non-depreciable Capital Assets	437,500
Depreciable Capital Assets, Net	1,418,415
Total Non-Current Assets	<u>1,855,915</u>

Total Assets	<u>1,940,486</u>
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**Liabilities:**

**Current Liabilities:**

Accounts Payable	6,083
Intergovernmental Payable	7,714
Accrued Wages and Benefits Payable	36,662
Compensated Absences Payable	4,396
Loans Payable	25,000
Total Current Liabilities	<u>79,855</u>

**Net Assets:**

Invested in Capital Assets	1,855,915
Restricted for Federal Grants	14,140
Unrestricted (Deficit)	(9,424)
Total Net Assets	<u><u>\$1,860,631</u></u>

*See accompanying notes to the basic financial statements.*

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Operating Revenues:</b>	
State Foundation	\$1,017,832
Miscellaneous	10,009
Total Operating Revenues	<u>1,027,841</u>
<b>Operating Expenses:</b>	
Salaries	665,859
Fringe Benefits	265,241
Purchased Services	501,371
Materials and Supplies	40,269
Depreciation	34,890
Total Operating Expenses	<u>1,507,630</u>
Operating Loss	(479,789)
<b>Non-Operating Revenues:</b>	
Federal and State Grants	<u>468,645</u>
Change in Net Assets	(11,144)
Net Assets at Beginning of Year	<u>1,871,775</u>
Net Assets at End of Year	<u><u>\$1,860,631</u></u>

*See accompanying notes to the basic financial statements.*

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Foundation	\$1,017,832
Cash Received from Miscellaneous Sources	10,009
Cash Payments for Employee Services and Benefits	(928,033)
Cash Payments to Suppliers for Goods and Services	(541,439)
Net Cash Used for Operating Activities	<u>(441,631)</u>

**Cash Flows from Noncapital Financing Activities:**

Federal and State Subsidies Received	<u>453,992</u>
Net Increase in Cash and Cash Equivalents	<u>12,361</u>

Cash and Cash Equivalents at Beginning of Year 30,723

Cash and Cash Equivalents at End of Year \$43,084

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	<u>(\$479,789)</u>
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**Adjustments to Reconcile Operating**

**Loss to Net Cash Used for Operating Activities:**

Depreciation	34,890
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**Changes in Assets and Liabilities:**

Decrease in Accounts Payable	(549)
Increase in Accrued Wages and Benefits Payable	282
Increase in Intergovernmental Payable	2,093
Increase in Compensated Absences Payable	1,442
Total Adjustments	<u>38,158</u>

Net Cash Used for Operating Activities (\$441,631)

**Non-cash:**

The School had outstanding intergovernmental receivables related to non-operating grants of \$41,487 at June 30, 2012.

*See accompanying notes to the basic financial statements.*

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**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Dayton Technology Design High School (the "School") (also known as Dayton Business Technology High School) is a State nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific, and related teaching service. The School is an approved tax-exempt organization under Sections 501(c)(3) and 170(c)(1) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect School's tax exempt status. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School is considered a conversion community school under Ohio law. Conversion schools are created by converting all or part of an existing public school into a community school. Conversion schools may be sponsored by and operate in any public school district.

The School is designed for at-risk, high school students who have a desire for, and whose education can be optimized by, a program of online instruction environment that does not include ancillary components of a more traditional education. Because the focus is on virtual learning, the ability of students to learn independently using various computer educational programs is an essential element of the School's program.

The School was approved for operation under contract with its Sponsor, the Dayton City School District, for a period of five years commencing July 1, 2006. The School renewed its contract on June 7, 2011 with the Dayton City School District for a period of five years commencing on July 1, 2011. Under the terms of its contract with the Sponsor, the School has access to facilities, staff, equipment, instructional materials, curriculum, and the educational strategy of the Sponsor as determined appropriate. The Sponsor may, at its sole option, accelerate the expiration of the contract for any reason by giving written notice of its intent to the School by May 1 of any given year, in which the contract will expire on June 30 of the same year.

The School operates under a seven-member Board of Directors (the Board). The Sponsor Contract requires that the majority of the members of the Board be elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the School, some but not all of whom may be administrators within the Dayton City School District. The Sponsor Contract also permits additional Board positions to be filled by parents or community civic leaders.

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is presented in Note 13 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation**

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and change in net assets, and a statement of cash flows.

During the fiscal year, the School segregates transactions related to certain School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the School uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**B. Measurement Focus**

The accounting and financial reporting treatment of the School's financial transactions is determined by the School's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses, and change in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The School's financial statements are prepared using the accrual basis of accounting.

**D. Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

**E. Expenses**

Expenses are recognized at the time they are incurred.



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

The School maintains an interest bearing depository account. All funds of the School are maintained in this account. This account is presented on the statement of net assets as "Cash and Cash Equivalents". The School had no investments during fiscal year 2012.

**G. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Buildings and Improvements	50 years
Furniture and Fixtures	5-30 years

**H. Accrued Liabilities**

All payables and accrued liabilities are reported on the statement of net assets.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for employees with at least 15 years of service in one of the retirement systems for all positions (including certified and non-certified staff). At fiscal year-end, the highest number of years of service by any eligible School employee was only five years.

**J. Intergovernmental Revenues**

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for federal grants include resources restricted for federal grants restricted to expenditures for specified purposes.

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the School. These revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**N. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School; therefore, no budgetary information is presented in the financial statements.

**3. RECEIVABLES**

Receivables at June 30, 2012, consisted of intergovernmental (federal and State grants). All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title VI-B	\$ 6,412
21st Century	16,163
Title I	18,848
Improving Teacher Quality	19
Title II-D	45
Total Intergovernmental Receivable	<u>\$41,487</u>

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

	<b>Balance At 6/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance At 6/30/2012</b>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 437,500			\$ 437,500
<b>Depreciable Capital Assets:</b>				
Buildings and Improvements	1,539,710			1,539,710
Furniture and Fixtures	22,361			22,361
Total Depreciable Capital Assets	1,562,071			1,562,071
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(92,382)	(\$30,794)		(123,176)
Furniture and Fixtures	(16,384)	(4,096)		(20,480)
Total Accumulated Depreciation	(108,766)	(34,890)		(143,656)
Depreciable Capital Assets, Net	1,453,305	(34,890)		1,418,415
Total Capital Assets, Net	<u>\$1,890,805</u>	<u>(\$34,890)</u>	<u>\$0</u>	<u>\$1,855,915</u>

**5. RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School contracted with Hanover Insurance Company for business general liability and excess liability. General liability (including personal and advertising injury) coverage is \$1 million each occurrence with a limit of liability of \$10 million. Business property liability coverage for owned, hired, and non-owned auto liability has a single and combined limit of liability at \$1 million.

The School contracted with Lexington Insurance Company for property insurance of \$1 million.

There have been no significant changes in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

**B. Workers' Compensation**

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor that is calculated by the State.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with advice from the actuary, allocates the employer contribution rate among four of the system's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,415, \$18,424, and \$18,790, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

**B. State Teachers Retirement System of Ohio**

**Plan Description** – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2012 plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School's required contributions for pension obligations to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan was \$74,909 for the fiscal year ended June 30, 2012, \$67,286 for the fiscal year ended June 30, 2011, and \$71,214 for the fiscal year ended 2010. For fiscal year 2012, 93.64 percent has been contributed for the DB Plan and Combined Plan, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were not available.

**7. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 1.3 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge amount for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. POST-EMPLOYMENT BENEFITS (Continued)**

The School's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$529, \$2,231 and \$676, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$661, \$1,186 and \$1,117, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

**B. State Teachers Retirement System of Ohio**

**Plan Description** – The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,672, \$5,176, and \$5,478 respectively. For fiscal year 2012, 93.64 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**8. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements of Dayton City School District, the sponsor, and State Laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees each month and may be accrued up to a maximum of the number of days earned during the fiscal year. Vacation days in excess of the annual number of days earned by the employee may be carried forward only with the approval of the Principal. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused days, up to a maximum accumulation of 180 days for teachers and administrators and 160 days for classified employees. In addition, classified employees are subject to the following based on length of service:

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. EMPLOYEE BENEFITS (Continued)**

<b>Length of Service</b>	<b>Maximum Severance Payouts</b>
Less than five years	0 days
Five years to 15 years	30 days
15 years to 25 years	35 days
Over 25 years	40 days

Professional staff members are eligible to accumulate sick days in a severance account once they have accumulated the maximum 250 days of sick leave. These excess days may not be used as sick leave days or "catastrophic illness" donations. Accumulated severance account days will be paid at one-fourth of the accumulated balance, up to a maximum payout of 45 days.

**B. Health Insurance**

As part of the Sponsor Contract, School employees are covered by the Sponsor's insurance benefit coverage and premiums for the benefits are paid by the School to the Sponsor in the months of April through October.

**9. LONG-TERM OBLIGATIONS**

The changes in the School's long-term obligations during fiscal year 2012 were as follows:

<b>Long-Term Obligation</b>	<b>Amount Outstanding 6/30/11</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/12</b>	<b>Due In One Year</b>
Start Up Loan	\$25,000	\$0	\$0	\$25,000	\$25,000

On July 10, 2006 the School's Sponsor, the Dayton City School District, provided the School with a loan of \$100,000 to fund operations during the start-up phase of the School. There is no provision for interest on this loan. The original loan agreement required the loan to be repaid in four annual installments of \$25,000 ending in fiscal year 2010. During the fiscal years 2008 and 2009, the Sponsor agreed to a deferment of the second and third installment payments on the loan. The repayment schedule was modified during fiscal year 2010, and the School will make annual payments of \$25,000 beginning on January 10, 2010 with final maturity being January 10, 2012. The repayment schedule was modified during fiscal year 2012, and the School will make last \$25,000 payment in fiscal year 2013.

**10. CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. CONTINGENCIES (Continued)**

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

**C. Litigation**

The School is not party to any legal proceedings.

**11. PURCHASED SERVICES**

For the period ended June 30, 2012, purchased services expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$285,250
Property Services	120,381
Pupil Transportation	938
Communications	10,462
Food Service	70,912
Other	13,428
Total Expenses	<u>\$501,371</u>

**12. RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2012, the benefits related to the School's employees are processed and initially paid by the Dayton City School District. The School subsequently reimburses the Dayton City School District for these expenditures after each pay period. During fiscal year 2012, the School reported expenses related to employee insurance of \$142,243.

**13. JOINTLY GOVERNED ORGANIZATION**

**Metropolitan Dayton Educational Cooperative Association** - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATION (Continued)**

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$6,761 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Dayton Technology Design High School  
Montgomery County  
348 West First Street  
Dayton, Ohio 45402

To the Board of Directors:

We have audited the financial statements of the business-type activities of Dayton Technology Design High School, Montgomery County, (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated September 18, 2012.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor and others within the School. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

September 18, 2012

DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2012-01

FINDING FOR RECOVERY – REPAID UNDER AUDIT

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. This Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

In fiscal year 2012, the School reimbursed Lynne Willis for alcoholic purchases along with a meal that was previously reimbursed to another employee amounting to \$34 as part of check number 7867 issued on March 6, 2012.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lynne Willis, in the amount of \$34, and in favor of Dayton Technology Design High School Title 1 School Improvement Fund (Fund 536).

The amount of \$34 was repaid to Dayton Technology Design High School bank account on September 14, 2012 via receipt number 92344 issued on September 17, 2012.

**Official’s Response:** The amount of \$34 was repaid to the School on September 14, 2012.

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Dayton Technology Design High School  
Montgomery County  
348 West First Street  
Dayton, Ohio 45402

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Dayton Technology Design High School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on October 3, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 18, 2012

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# Dave Yost • Auditor of State

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 18, 2012**